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CONFIDENTIAL

SIPDIS
TELEGRAM

May 25, 2003

To: No Action Addressee
Action: Unknown
From: AMEMBASSY ABU DHABI (ABU DHABI 2451 - UNKNOWN)
TAGS: EAID, PREL, PGOV, PHUM, KPAL, KWBG
Captions: None
Subject: UAE: A MODEL FOR IRAQ?
Ref: None

C O N F I D E N T I A L ABU DHABI 02451

SIPDIS
CXABU:
ACTION: POL
INFO: DCM P/M ECON RSO AMB

DISSEMINATION: POL
CHARGE: PROG

APPROVED: CDA: RALBRIGHT
DRAFTED: ECON:CCRUMPLER
CLEARED: CGD: ROLSON, A/DCM:TWILLIAMS

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FM AMEMBASSY ABU DHABI
TO RUEHC/SECSTATE WASHDC IMMEDIATE 0049
INFO RUEHZM/GCC COLLECTIVE PRIORITY
RUEKJCS/SECDEF WASHDC PRIORITY
RUMICEA/USCINCCENT INTEL CEN MACDILL AFB FL PRIORITY
RUEKJCS/JOINT STAFF WASHDC PRIORITY
RUEHDE/AMCONSUL DUBAI PRIORITY 3147

C O N F I D E N T I A L SECTION 01 OF 02 ABU DHABI 002451

SIPDIS

STATE FOR EB, NEA/ARP, AND NEA/RA

E.O. 12958: DECL 05/25/2008
TAGS: [EAID](#) [PREL](#) [PGOV](#) [PHUM](#) [KPAL](#) [KWBG](#) [TC](#)
SUBJECT: UAE: A MODEL FOR IRAQ?

REFS: A) STATE 131981 B) ABU DHABI 2256 C) DUBAI
1992

1. (U) Classified by Charge d'Affaires Richard A. Albright, for reasons 1.5 (B) and (D).

2. (C) Summary and comment: The UAE is eager to see the swift reintegration of Iraq into the international trade and investment system, and the emergence of Baghdad as an economic counterweight to Riyadh in the region. Given the cumbersome nature of GCC deliberations, and the sense here that the UAE already is well ahead of its fellow member states when it comes to economic liberalization, the UAE is likely to

prefer to engage Iraq bilaterally on trade and investment issues rather than wait for a regional GCC approach to be developed. The UAE will seek to further Iraq's economic recovery by offering its expertise in the areas of banking and finance and oil, and could also serve as a useful model in digital readiness and the protection of intellectual property rights (IPR). Iraq probably will receive significant UAE private (and perhaps official) investment -- especially when a liberalized trading regime and legal framework to protect foreign investors in Iraq are in place. End summary and comment.

The UAE Offers Its Experts For Iraq's Recovery

¶3. (C) The UAEG already has provided specific proposals for participation in Iraq's economic recovery (ref B). UAE officials committed to provide training to Iraqi Central Bank officials in banking operations, banking supervision and examination, and anti-money laundering detection and investigation. Combating terrorist financing through its formal and informal financial networks has been a major goal of the UAEG since 2000, and an area in which the UAEG has made tremendous strides. The UAE was the first Arab country to become a member of the elite Egmont Group of Financial Intelligence Units, and could well serve as a model for Iraq's own financial system.

¶4. (C) The Abu Dhabi-based Arab Monetary Fund (AMF) also has offered to help develop responsible fiscal and monetary policy in Iraq, carve out a supervisory role for the Iraq Central Bank, and help establish a liberalized trade regime that would lead to Iraq's eventual accession to the WTO. The AMF has expertise in a broad range of economic topics, as well as a formal agreement with the WTO to provide training on trade-related issues to its Arab membership -- which includes Iraq.

¶5. (C) UAE officials have indicated that they could dispatch experts from the Abu Dhabi National Oil Company (ADNOC) to assist in the near term reconstruction of the Iraqi oil sector. Although the UAE could assist the Iraqi Oil Ministry in oil exploration, refining, processing, distribution and management, Abu Dhabi realistically will be Baghdad's competitor in this sector over the long-term.

¶6. (C) Senior UAE officials have been actively engaged with the USG regarding Iraq's reconstruction even before the war, including high level visits to Washington to promote potential participation in terms of assistance, investment and trade. Recently, 100 Iraqi businessmen formed an off-shore corporation in the Jebel Ali Free Zone (ref C), with the strong support of the Government of Dubai, to compete for Iraqi reconstruction contracts (Comment: Dubai is perturbed by the fact that while the Jordanian/Iraq border appears wide open for commerce, the port of Umm Qasr, Dubai's lifeline to the Iraqi marketplace, remains closed.)

The UAE: A Model Of Success

¶7. (C) The UAE, and Dubai in particular, is well ahead of the rest of the region in terms of telecom interconnectivity and digital readiness, and could serve as a model for communications systems in Iraq. Telecom networks in the UAE are based on cutting-edge technology, and local governments and businesses are regional pioneers in e-government and e-commerce initiatives. We note that Thuraya -- which, to our knowledge, is one of only two mobile phone service

providers currently operating in Iraq -- is based in Abu Dhabi, with the UAEG as a major shareholder.

¶8. (C) The UAE is at the forefront of protecting intellectual property rights (IPR) in the region. Although there is room for improvement in consistent implementation, the UAE represents a useful example of the strides that can be made working hand-in-hand with U.S. Government and businesses to protect property rights. As part and parcel of its development into a regional trading center, the UAE Government has made the protection of intellectual property a priority in recent years. New copyright, trademark and patent laws, passed in 2002, provide high levels of protection for U.S. intellectual property, while an agreement -- brokered by the Embassy in 2002 -- continues to provide TRIPS-plus levels of protection for U.S. pharmaceuticals.

Tapping UAE Capital

¶9. (C) The UAE's two stock exchanges in Abu Dhabi or Dubai offer a pool of investment capital for Iraqi companies. The Abu Dhabi Securities Market (ADSM), for example, currently lists 21 local and foreign companies on its trading board from several different sectors, including banking, insurance, services (telecom and IT-related companies), hotels, and is actively courting more foreign businesses. Oatar's telecom monopoly, Q-Tel, already is listed and ADSM is negotiating with the National Bank of Kuwait to list later this year.

¶10. (C) The UAEG itself is unlikely to invest significantly in Iraq; the Abu Dhabi Investment Authority has told us that very little of its estimated \$200 billion in assets is invested in the Middle East -- mostly to American, European, and Asian markets. The UAE Offsets Group and the International Petroleum Investment Company, however, are just two of several quasi-governmental organizations that may seek both portfolio and greenfield investments in Iraq.

¶11. (C) UAE construction, transportation, and logistics companies are likely to invest significant equities in starting businesses in Iraq, upgrading Iraq's infrastructure, and directly contributing to Iraq's economic recovery. Prominent UAE companies with state-of-the-art technology, electronic mapping, and positioning equipment are vying to upgrade and manage the major Iraqi airports and seaports. Dubai's successful creation and management of numerous free zones may serve as a model for Iraq. Indeed, UAE officials already have proposed the construction of three free zones in southern, central, and northern Iraq.

¶12. (U) This cable was coordinated with Amconsul Dubai.

Albright